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## **IRS Issues Proposed Regulations to Safeguard Taxpayer Information**

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WASHINGTON – The Internal Revenue Service today issued proposed guidance on the disclosure or use of tax return information by tax return preparers. A key principle underlying the proposed guidance is that tax return preparers may not disclose or use tax return information for purposes other than tax return preparation without the knowing, informed, and voluntary consent of the taxpayer.

The pre-existing regulations under Internal Revenue Code section 7216 were drafted in the early 1970s, prior to the advent of many of the business practices and technology uses that define the electronic preparation and transmission of tax returns by preparers.

The proposed regulations broaden the definitions of tax return preparer and tax return information, revise the manner and form of obtaining taxpayer consent to use or disclose tax return information and add a requirement to obtain taxpayer consent before preparers send tax return information offshore.

“Safeguarding of tax return information is critical,” said IRS Commissioner Mark W. Everson. “It’s vital we update the preparation rules for the 21<sup>st</sup> century. Americans ought to know when their tax returns are being outsourced and prepared abroad. In particular, I want to thank Massachusetts Rep. Ed Markey and others for drawing our attention to this important issue.”

The new regulations also take into account the presence and wide-spread use of computers in tax preparation. If a tax return preparer hires contractors who will need access to tax return information to repair computers or data files, the tax return preparer must notify those contractors that they will also be subject to restrictions on their use or disclosure of tax return information.

The proposed regulations are open to public comment for 90 days after their date of publication. A public hearing on the proposed regulations has been scheduled for April 4, 2006 at 10 a.m.

### **Statement of Rep. Edward J. Markey**

"When I first raised concerns about the privacy issues that the outsourcing of tax preparation services back in February 2004, Commissioner Everson indicated that the IRS shared my concern about these practices and was committed to protecting taxpayers from having their confidential financial information compromised," said Rep. Edward J. Markey (D-Mass.) "Today, the IRS is taking an important step to fulfill that commitment by proposing regulations that would require the taxpayer's affirmative consent to be obtained before any tax preparer could outsource information to a foreign entity. This requirement should help ensure that taxpayers retain control over who gets access to sensitive personal information about their

finances, since consumers are unlikely to agree to have their tax returns sent to countries with weak privacy protections. I commend Commissioner Everson for taking my concerns about this matter seriously and for ensuring that the IRS takes the lead in protecting taxpayer's privacy rights."